



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 4  
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JUN - 5 2006

Mr. Mark A. Prescott (G-PSO)  
U. S. Coast Guard  
2100 Second Street, SW, Room 1210  
Washington, D.C. 20593-0001

**SUBJECT: Final Environmental Impact Statement for the Compass Port LLC  
Deepwater Port (DWP) License Application, CEQ No. 20060121 and  
ERP No. CGD-E03013-00 (dated March 2006)**

Dear Mr. Prescott:

Pursuant to Section 309 of the Clean Air Act (CAA) and Section 102(2)(C) of the National Environmental Policy Act (NEPA), Environmental Protection Agency (EPA) Region 4 has reviewed the U. S. Coast Guard (USCG)/Maritime Administration (MARAD) final environmental impact statement (FEIS) associated with the license required for the Compass Port DWP. Under Section 309 of CAA, EPA is responsible for reviewing and commenting on federal actions significantly affecting the quality of the human environment. Pursuant to the Memorandum of Understanding on Deepwater Port Licensing, EPA Region 4 is a cooperating agency in the Compass Port NEPA process. EPA's review of the FEIS includes comments pursuant to both of EPA's roles in this matter.

The FEIS is an evaluation of the environmental consequences attendant to construction and operation of a liquified natural gas (LNG) facility to be located off the Alabama coast. This is the first offshore LNG facility in the eastern Gulf of Mexico and it could have a broad spectrum of environmental effects which will be long-term in duration (FEIS). The DWP is designed to receive, store, and re-gasify LNG, which will be transported to the facility via specialized container ships and then conveyed through a pipeline system which makes landfall near Coden, Alabama. The terminal complex has two concrete structures which contain the LNG storage tanks, the re-gasification system and operational infrastructure including mooring/docking/flare platforms. The facility will re-vaporize and deliver one billion cubic feet of natural gas per day to various market users. The EIS evaluated an array of facility/system/operational alternatives, which in turn were compared during the iterative EIS process. These were examined relative to the Applicant's proposal, i.e., the DWP and its associated open rack vaporization (ORV) warming technology. The facility would be fabricated in Ingleside, Texas, transported for siting in the Gulf of Mexico, Mobile Block 910, and would use the Compass Port pipeline alignment to tranship the gas to the interstate pipeline system.



In our April 15, 2005, comments on the draft EIS (DEIS) for Compass Port, EPA Region 4 cited numerous environmental issues associated with operation of the DWP. EPA raised specific concerns about the "...potential immediate and cumulative adverse impacts to the eastern Gulf waters and habitat associated with the operation of an "open-loop" ORV re-gasification system ...". Our objections were based on the "...potential for significant environmental degradation that could be corrected by project modifications or other feasible alternatives". Based on a review of the FEIS, we have determined that our comments regarding operational risk analysis, environmental justice, pipeline construction considerations, navigation risks, gas pipeline setback criteria, and horizontal directional drilling alternative(s) have been satisfactorily addressed.

Overall, our review comments about the air quality impacts remain unchanged. Based on the emissions data, Compass Port is considered a minor source under New Source Review and no air pollution controls are likely. Further, we conclude that there would be minimal difference in air quality impacts for criteria pollutants from using ORV versus a "closed-loop" warming technology (SCV) for the Compass Port project.

EPA's concerns with the ORV technology's potential impacts on water quality, fisheries, and the overall marine ecosystem, as detailed in our April 15, 2005, comments, focused on: the impacts of the warming water intakes and chilled wastewater discharges resulting from the re-vaporization process (specifically, cold-shock and chilled-water effects on fish eggs and larvae, as well as invertebrate early life stages); concentration of large volumes of ambient seawater into the discharge plume (which could expose planktonic organisms to cold temperature effects during each re-vaporization cycle); turbidity plumes from ORV discharges; the application of system biocides within the project area; and, in general, the potential cumulative, long-term effects of the project on commercial/recreational fisheries.

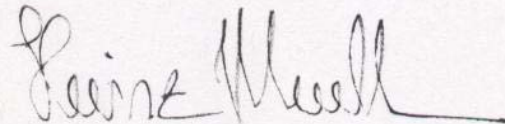
To address our concerns regarding potential impacts on water quality and the marine ecosystem, EPA Region 4, in agreement with ConocoPhillips, has developed pollutant minimization and prevention measures through specific research, monitoring, and assessment provisions to be recommended as conditions in the Deepwater Port Act (DPA) license. These recommendations are detailed in a separate letter to Secretary of Transportation Norman Y. Mineta and include field and laboratory studies, analytical modeling and monitoring. Specifically, EPA Region 4 proposes studies to determine approach feasibility (use of multiple, meshed barriers at the intake and discharge ports to lessen entrainment); jet plume entrainment dynamics and thermal exposure (determination of cold exposure impacts); density and distribution of zooplankton (validation of modeling results predicting impacts of cold exposure); cold exposure effects (determination of these effects on early life stages of fishes and invertebrates); and long-term fishery impacts (estimation of potential of long-term indirect effects). A panel of fishery and other Gulf of Mexico scientific authorities should be convened to oversee the development, implementation and interpretation of results generated from the above studies. Based on improvements in the FEIS and the commitments just described that



have been made by ConocoPhillips to implement additional pollution prevention and minimization measures and research, monitoring, and assessment provisions, which will be included as conditions of the DPA license for Compass Port, our earlier objections in our April 15, 2005 comment letter regarding the use of an ORV re-gasification system have been substantially addressed. Therefore, as we stated in our final comment letter to Secretary Mineta today, and consistent with our comments set forth here, EPA recommends approval of the DPA license for Compass Port.

EPA places a high priority on protecting and maintaining marine biota and their habitats. For Compass Port, this objective will be accomplished through the information developed by the NEPA, DPA license, National Pollutant Discharge Elimination System processes and other state/federal actions. EPA will continue to work with all parties to ensure an environmentally acceptable outcome. As a cooperating agency, we request receipt of the draft Record of Decision (ROD) for this FEIS. Should you have any questions regarding our comments, please contact Gerald Miller at 404/562-9626 or me at 404/562-9611.

Sincerely,

A handwritten signature in dark ink, appearing to read "Heinz Mueller", with a long horizontal line extending to the right.

Heinz J. Mueller, Chief  
NEPA Program Office

cc: MARAD